

FISCAL NOTE

Bill #: SB0267 **Title:** Teacher signing bonus program

Primary Sponsor: Stapleton, C **Status:** Senate - Third Reading

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
Expenditures:		
General Fund	\$0	\$0
Revenue:		
General Fund	\$0	\$0
Net Impact on General Fund Balance:	\$0	\$0

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|--|--|
| <input checked="" type="checkbox"/> Significant Local Gov. Impact
<input type="checkbox"/> Included in the Executive Budget
<input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Technical Concerns
<input type="checkbox"/> Significant Long-Term Impacts
<input checked="" type="checkbox"/> Needs to be included in HB 2 |
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Fiscal Analysis

- Section 3 of the bill attempts to provide a revenue stream to fund the signing bonuses contingent on guarantee fund revenues exceeding the estimates for BASE aid. Revenue estimates are assumed to be accurate and no revenue will be available to fund these signing bonuses. If the guarantee account revenues were in excess of the estimates the language in the bill still does not get the revenue to the teacher signing bonus program. See technical notes 1 and 2.

The following assumptions apply only if the program were funded.

- SB 267 provides signing bonuses to 500 beginning teachers each year, who are employed by a public school district, education cooperative, or state-funded school. A teacher is eligible for the signing bonus if the teacher has not been employed previously as a teacher and meets the criteria in Section 1.
- The State Superintendent of Public Instruction will distribute the signing bonus to eligible teachers upon receipt of an application from a school district. The district must make the request by April 15 of the current school year. OPI will make the payment in two installments during the current school year.
- The school district will need to attest that a beginning teacher has not been employed as a teacher previously and, where relevant, that the beginning teacher has replaced a teacher who has retired. The Office of Public Instruction is able to verify that a beginning teacher is certified to teach in the endorsement areas that are eligible for the bonus and is teaching in a rural area as defined by SB 267.
- There are 378 districts that qualify as rural areas under SB 267. There are 63 districts that do not qualify as rural.

Fiscal Note Request SB0267, Senate - Third Reading

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6. The signing bonuses are paid to eligible teachers over a 3-year period. SB 267 terminates at the end of FY 2007. The cost of the signing bonuses is as follows:

<u>Year</u>	<u>Cost</u>	<u># of Recipients</u>
FY 2004	\$2,500,000	500
FY 2005	\$4,000,000	1,000
FY 2006	\$5,000,000	1,500
FY 2007	\$5,000,000	1,500

7. The Office of Public Instruction will need to increase the hours for an existing Grade 10 FTE from .5 FTE to .75 FTE to establish and implement this program and administer the payment of bonuses. The cost of the increased workload will be \$5,800. An additional \$1,000 in operating expenses in the indirect cost pool will be required.
8. The state general fund pays a contribution to Teachers Retirement System of 0.11% of all teacher salary expense in through a statutory appropriation. This increases the cost of the bonuses by 0.11% of the bonuses. This cost will be \$2,750 in FY 2004 and \$4,400 in FY 2005.
9. There will be no employment tax expense charged to the district Retirement fund.
10. The cost of teachers retirement for these bonuses will be paid from the district Retirement fund. The amount charged to the Retirement fund will be 7.47% of the bonuses, or \$186,750 in FY 2004 and \$298,800 in FY 2005.
11. The retirement fund is funded with a state guaranteed tax base aid payment and county levies. The additional costs to the Retirement fund will be funded with 25% state general fund and 75% county levies. The increased cost to the state general fund will be \$46,688 in FY 2004 and \$74,700 in FY 2005.
12. This bill also provides that the signing bonuses paid to teachers are exempt from the individual income tax. Because these bonuses are not included in current law revenue forecasts, there is no impact on the individual income tax from this proposal.

LOCAL GOVERNMENT IMPACT:

If this program were funded, statewide, county levies will increase by 75% of the retirement costs in assumption 10 or \$140,063 in FY 2004 and \$224,850 in FY 2005.

TECHNICAL NOTES:

1. The state special guarantee account is statutorily appropriated to BASE aid. Under current law (MCA 17-2-108) the current year general fund is offset by any increase in guarantee fund available to BASE aid. The language in Section 3 (4) implies that instead of offsetting current year general fund obligations, the additional guarantee account revenue would be held until the next year and used to offset the following year obligations. This seems to conflict with MCA 17-2-108.
2. Subsections (4)(a), (4)(b), (4)(c), and (4)(d) do not set aside revenue for the teacher signing bonus program, but do offset general fund expense. Subsection (4)(e) references refers to subsections (4)(a), (4)(b), (4)(c), and (4)(d) as making available revenue for teacher signing bonuses, but that is not accomplished in those sections.
3. The BASE aid appropriation in HB 2 is a restricted appropriation and could not be used for signing bonuses. SB 267 needs an appropriation to distribute the signing bonuses.
4. Funding for the teacher signing bonuses in SB 267 is contingent on monies from common school interest and income exceeding the current law revenue estimates for that revenue source. At this point, it is expected that there will be no additional revenue to fund the signing bonuses.